

**OFFICE OF CONGRESSWOMAN KATHY DAHLKEMPER**  
208 E. Bayfront Parkway, Suite 102  
Erie, PA 16507  
(814) 456 - 2038

**SMALL BUSINESS**



**AND THE AMERICAN RECOVERY AND REINVESTMENT ACT**

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## **Small Business and the American Recovery and Reinvestment Act Business Loans**

### **Pittsburgh District Office:**

411 Seventh Avenue  
Suite 1450  
Pittsburgh, PA 15219  
(412) 395-6560  
(412) 395-6560 (Fax)

Carl Knoblock  
District Director  
Ext. 106

### **1. What are SBA's main business loan programs?**

The SBA has two main loan programs: 7(a) loans and 504 Certified Development Loans (CDC/504).

*The 7(a) loans program* guarantees loans made by private sector lenders to small businesses. Most U.S. banks choose to participate in the program, although there are some non-bank lenders who choose to participate.

To offset costs to the taxpayer, SBA charges a guaranty and servicing fee for each loan. The fee amount is based on the guaranty portion of the loan. The lender may charge the borrower this fee after the lender has paid the SBA and made the first disbursement of the loan. These fees are temporarily waived (see #2).

*504 Certified Development Loans* offer growing small businesses long-term, fixed-rate financing for major fixed assets (NOTE: "Major fixed assets" include land, buildings, machinery, and equipment).

### **2. What major changes has the ARRA made in the SBA's main loan programs?**

The ARRA authorizes the SBA to increase the percentage of 7(a) and 504/CDC loans that it guarantees from 75-80% to 90%. The maximum loan amounts remain unchanged.

The SBA temporarily eliminated fees for borrowers and third party lenders on its 504 Certified Development Company Loans and 7(a) loans until 31 December 2009.

### **3. Where can I get help composing the business plan that I need to receive a loan?**

The SBA has a cooperative agreement with SCORE, a non-profit organization that matches businesses in need of counseling with qualified volunteers. SCORE offices are typically found on college campuses. A list of regional chapters follows this section. A complete list can be found at <http://www.score.org>

### **4. Where can I get help with tax issues, regulatory compliance issues, disaster recovery assistance or market research?**

The SBA partially funds Small Business Development Centers (SBDCs), which provide a

variety of services using an education network of 63 lead centers and more than 1,000 service center locations. A list of regional SBDCs follows this section. A complete list can be found at <http://www.sba.gov/aboutus/sbaprograms/sbdc/index.html>

**5. Does the SBA offer services specifically for women, veterans, reservists or Native Americans?**

Yes. The SBA offers a nationwide network of 114 community-based Women Business Centers. A list of regional offices follows this section. The SBA also has a variety of programs for Native Americans and Native Alaskans, which can be found at <http://www.sba.gov/aboutus/sbaprograms/naa/index.html>

Each SBA regional office employs a Veterans' Business Officer responsible for handling veterans' affairs. The SBA also offers a variety of payment deferrals, interest rate reductions and special low-interest financing for Reservists called to active duty.

**6. Does the SBA offer programs specifically for economically or socially disadvantaged business owners?**

Yes. The SBA's Section 8(a) provides various forms of assistance (including management and technical assistance, financial assistance, government contracting assistance, and advocacy support). In order to be eligible, businesses must:

1. Qualify as a small business;
2. Be owned by a U.S. citizen;
3. Be at least 51% unconditionally owned and controlled by one or more individuals who qualify as socially or economically disadvantaged; and,
4. Be established for two full years before applying (or qualifying for a waiver of the two-year rule).

"Socially disadvantaged" individuals have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual capabilities. The following individuals are presumed to be socially disadvantaged: Black Americans, Native Americans, Hispanic Americans, Asian Pacific Americans, and Subcontinent Asian Americans. An individual who is not a member of one of the groups presumed to be socially disadvantaged must establish individual social disadvantage by a preponderance of evidence. For additional information, please visit <http://www.sba.gov/aboutsba/sbaprograms/8abd/index.html>.

"Economically disadvantaged" individuals are socially disadvantaged individuals whose ability to compete in the free-enterprise system was impaired due to diminished capital and credit opportunities. Women and persons with disabilities may also apply.

**7. What provisions does the ARRA contain about loan reimbursements, loan subsidies and loan modifications?**

The ARRA sets aside \$375 million for loan modifications, reimbursements and subsidies.

These provisions are for Small Business Administration 7(a) Loans. More information about SBA 7(a) loans, including eligibility requirements, can be found at <http://www.sba.gov/services/financialassistance/sbaloantopics/7a/>

**8. What is the Small Business Stabilization Program, and who is eligible?**

The ARRA allocates \$255 million for the Small Business Stabilization Program (BSP), which issues interest-free loans of \$35,000 or less to small businesses. Businesses may only use these loans to make payments on existing loans for no longer than six months. The BSP loans must be repaid within six years of their issue. They carry no interest, have no fees and may accept a secondary lien as collateral.

The BSP program expires on 30 September 2010.

**9. What is Micro-loan Technical Assistance and what funds are available for it?**

SBA Microloans are designed for viable businesses or entrepreneurs that cannot receive credit from banks because of a lack of credit history, a poor credit history, or insufficient business experience. In addition, the SBA provides ongoing technical assistance, including pre-loan consulting, troubleshooting and other support for the life of the loan.

The ARRA includes \$24 million for this program. The maximum loan amount, furnished by an intermediary lender, is \$35,000 and the average loan is \$13,000. More information, including eligibility and list of intermediaries, is available at:

<http://www.sba.gov/services/financialassistance/sbaloantopics/microloans/index.html>

**10. Is it possible to receive a loan directly from the SBA?**

Yes – the SBA offers Disaster Recovery loans to businesses and individuals to help recoup losses from natural disasters. Interest rates on these loans are assessed based on the ability of the debtor to obtain credit through commercial channels. The ARRA includes an additional \$6 million for direct loans. Information about Disaster Recovery loans is available at:

<http://www.sba.gov/services/financialassistance/sbaloantopics/property/index.html>

**11. What additional assistance is available for contractors in the ARRA?**

The SBA Surety program guarantees bonds for contracts covering bid, performance and payment bonds for small and emerging contractors who cannot obtain bonds through regular commercial channels. The ARRA increases the maximum bond amount from \$2 million to \$5 million, and up to \$10 million for certain contracts. Information about the program is available at

[http://www.sba.gov/idc/groups/public/documents/wi\\_milwaukee/suretybond.pdf](http://www.sba.gov/idc/groups/public/documents/wi_milwaukee/suretybond.pdf)

(Note: Webpage has not been updates since passage of the ARRA)

**12. What provisions for refinancing existing loans exist in the ARRA?**

The ARRA allows the SBA to refinance existing loans as part of a new CDC/504 loan if the refinancing is less than half of the loan and meets the conditions of the CDC 504 loan. The refinancing program is permanent.

**13. How can third-party investors obtain guarantees for pools of first lien CDC/504 loans?**

To obtain this guarantee, a CDC/504 lender must retain at least 5% of the financing pool and cover any losses from monthly cash flows. The SBA can charge a maximum monthly fee of 50 basis points (one-half of one percent) on the outstanding balance. On an annual basis, the 50 basis points are equivalent to 6% of the average balance. SBA is limited to guaranteeing up to \$3 billion of pools under this authority.

**14. How does the ARRA encourage SBA-licensed Small Business Investment Companies (SBICs) to invest more venture capital in small businesses?**

The ARRA requires SBICs to make 25% of their investments in “smaller” companies. A smaller enterprise is defined as having a net financial worth of not more than \$6 million and an average net income for the past two years of not more than \$2 million.

This authority expires 17 February, 2011.

**Regional Contact Information**

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*SCORE Offices*

**Erie SCORE Chapter 193**

120 W. Ninth Street  
Erie, PA 16501  
814-871-5650 • 814-871-7530 Fax  
[www.score193eriepa.com/](http://www.score193eriepa.com/)

**Meadville SCORE Branch**

Meadville-Western Crawford  
Chamber of Commerce  
628 Arch Street/P.O. Box A201  
Meadville, PA 16335  
814-337-5194 • 814-337-1157 Fax

**Pittsburgh SCORE Chapter 7**

411 Seventh Avenue, Suite 1450

Pittsburgh, PA 15219  
412-395-6560 ext.130 • 412-395-6562 Fax  
[www.scorepittsburgh.com](http://www.scorepittsburgh.com)

*SDBC Offices*

**Clarion University SBDC**  
102 Dana Still Building  
Clarion, PA 16214  
Dr. Woodrow Yeane, Director  
814-393-2060 • 814-393-2636 Fax  
[wyeane@clarion.edu](mailto:wyeane@clarion.edu)  
[www.clarion.edu/sbdc](http://www.clarion.edu/sbdc)

**Gannon University SBDC**  
120 W. Ninth Street  
Erie, PA 16501  
Debra Steiner, Director  
814-871-7232 • 814-871-7383 Fax  
[steiner001@gannon.edu](mailto:steiner001@gannon.edu)  
[www.sbdcgannon.org/](http://www.sbdcgannon.org/)

**Duquesne University SBDC**  
108 Rockwell Hall, 600 Forbes Avenue  
Pittsburgh, PA 15282  
Dr. Mary McKinney, Director  
412-396-6233 • 412-396-5884 Fax  
[mckinney@duq.edu](mailto:mckinney@duq.edu)  
[www.duq.edu/sbdc](http://www.duq.edu/sbdc)

*WBC (Women's Business Center)*

**Seton Hill University's E-Magnify**  
Box 389F, Seton Hill University  
Seton Hill Drive  
Greensburg, PA 15601  
Jayne H. Huston, Director  
[info@emagnify.com](mailto:info@emagnify.com)  
[www.e-magnify.com](http://www.e-magnify.com)

**Small Business and the American Recovery and Reinvestment Act**  
**Energy and Technology Funding Opportunities**  
*Frequently Asked Questions*

**1. What new financial opportunities are available through the Department of Energy?**

The Department of Energy offers many opportunities through its Office of Energy Efficiency and Renewable Energy. These programs encourage assessment of current technologies and the implementation of emerging ones. These opportunities include:

- **Save Energy Now (SEN) Program**

The Industrial Technologies Program's Save Energy Now (SEN) Energy Saving Assessments (ESA) initiative leads national efforts to reduce industrial energy intensity by 25% in ten years while enhancing U.S. competitiveness. This program works with industry to identify and implement energy efficiency savings through energy assessments, provides technical assistance, and encourages technology deployment. The program assists businesses in evaluating the energy use at their facilities and recommending improvements.

More Information can be found at:

<http://www1.eere.energy.gov/industry/saveenergynow/>

- **Transmission Loan/Innovative Technology Loan Guarantee**

The Department of Energy can guarantee loans for capital investments that promote the commercial adoption of emerging energy technology.

More information can be found at:

<http://www.lgprogram.energy.gov/features.html>

- **National Energy Technology Laboratory**

The NETL offer grants and partnership opportunities to support research, development and implementation of renewable energy technologies.

A full list of funding opportunities can be found at:

<http://www.netl.doe.gov/business/solicitations/index.html#00013>

- **Advanced Battery Manufacturing**

The EERE office offers \$2 billion in competitive grants for manufacturers of advanced vehicle batteries and components. More information is available at <http://eere.energy.gov>

Additional information about teaming arrangements and requisition policies can be found at the DOE Small Business website at:

[http://management.energy.gov/business\\_doe/small\\_business.htm](http://management.energy.gov/business_doe/small_business.htm)

**2. What funding opportunities are available for broadband expansion?**

The National Telecommunications and Information Administration offers competitive grants for non-profits and community-based institutions for the expansion and implementation of digital network technologies, particularly to underdeveloped areas. A grant database can be found at: <http://ntiaotiant2.ntia.doc.gov/top/index.cfm>



## ADDITIONAL GRANTS

### What funding programs are available through the Economic Development Administration?

The Economic Development Administration offers a number of competitive economic development programs for small businesses in economically distressed areas. The goal of these programs is to provide jobs for areas that have experienced sudden and severe economic dislocation and job loss. These programs include:

- **Local Technical Assistance Program**

The Local Technical Assistance Program helps fill the knowledge and information gaps that may prevent leaders in the public and nonprofit sectors in economically distressed regions from making optimal decisions on local economic development issues. More information is available at:

[http://www.eda.gov/ImageCache/EDAPublic/documents/pdffdocs2008/13cfrchapter\\_20iii\\_2d2006andifr\\_2epdf/v1/13cfrchapter\\_20iii\\_2d2006andifr.pdf](http://www.eda.gov/ImageCache/EDAPublic/documents/pdffdocs2008/13cfrchapter_20iii_2d2006andifr_2epdf/v1/13cfrchapter_20iii_2d2006andifr.pdf)

- **Planning Program**

The Planning Program helps support planning organizations, including District Organizations and Indian Tribes, in the development, implementation, revision or replacement of comprehensive economic development strategies (CEDS). Additionally, assistance is provided for related short-term planning investments and State plans designed to create and retain higher-skill, higher-wage jobs. This job creation places emphasis on employing unemployed and underemployed in the nation's most economically distressed regions. More information is available at:

[http://www.eda.gov/ImageCache/EDAPublic/documents/pdffdocs2008/13cfrchapter\\_20iii\\_2d2006andifr\\_2epdf/v1/13cfrchapter\\_20iii\\_2d2006andifr.pdf](http://www.eda.gov/ImageCache/EDAPublic/documents/pdffdocs2008/13cfrchapter_20iii_2d2006andifr_2epdf/v1/13cfrchapter_20iii_2d2006andifr.pdf)

- **Trade Adjustment for Firms Program**

EDA administers the Trade Adjustment Assistance for Firms Program through a national network of eleven Trade Adjustment Assistance Centers to help manufacturing and production firms that have lost domestic sales and employment due to increased imports of similar or competitive goods. The program seeks to make these businesses more competitive in the global economy. More information is available at:

[http://www.eda.gov/ImageCache/EDAPublic/documents/pdffdocs2008/13cfrchapter\\_20iii\\_2d2006andifr\\_2epdf/v1/13cfrchapter\\_20iii\\_2d2006andifr.pdf](http://www.eda.gov/ImageCache/EDAPublic/documents/pdffdocs2008/13cfrchapter_20iii_2d2006andifr_2epdf/v1/13cfrchapter_20iii_2d2006andifr.pdf)

### What money for small domestic shipyards is available through the ARRA?

The ARRA provides \$98,000,000 to the Department of Transportation for competitive grants to small domestic shipyards. The Maritime Administrator will give priority to shipyards that employ no more than 600 production employees. The economic status of the maritime community as well as the effectiveness of the money in fostering employee skills and efficiency will be taken into account. Grants can be used for capital improvements and related

infrastructure improvements at qualified shipyard facilities that will be effective in fostering efficiency, competitive operations, and quality ship construction, repair, and reconfiguration. (NOTE: These grants cannot be used to construct buildings or facilities or to acquire land unless specifically approved by the administrator.)

The deadline for submitting applications to this grant is **20 April 2009**.

Additional information can be found at: <http://www.dot.gov/recovery/docs/marad.pdf>.

## **Small Business-Related Tax Provisions**

### **TAX LEGISLATION FOR NET OPERATING LOSSES<sup>1</sup> (NOLs)**

#### **1.) How is current law regarding NOLs affected by the American Recovery and Reinvestment Act?**

Under current law, a taxpayer may “carry back” an NOL to offset taxable income of the two taxable years immediately prior to the year the NOL is incurred. The taxpayer then may carry forward any remaining portion of that NOL up to 20 years to offset taxable income in those years.

The Act amends these rules to permit an eligible small business<sup>2</sup> to elect to carry back an applicable 2008 NOL<sup>3</sup> for three, four or five years rather than the normal two-year carry-back period. The Act doesn’t change the allowable carry-forward period of up to 20 years for 2008 NOLs. An eligible small business that incurred an applicable 2008 NOL should follow the quick return procedure to claim refunds of taxes paid in the 2003 through 2007 tax years.

#### **2.) Does the ARRA make any changes to ownership code?**

Current code places a limit on how quickly a loss corporation may use its NOL carry-forwards to offset its income after an ownership change. The Act amends these rules to provide that the code limitations will not apply to an ownership change that both: (i) occurs pursuant to a restructuring plan as required under a loan agreement or a commitment for a line of credit entered into with the Department of the Treasury under the Emergency Economic and Stabilization Act of 2008 (the “EESA”) and (ii) is intended to result in a rationalization of the costs, capitalization and capacity with regard to the manufacturing, workforce of and suppliers to the taxpayer and its subsidiaries.

This new rule does not apply to an ownership change that does not meet both of these requirements. In addition, this new rule will not apply to any ownership change if, immediately after the ownership change, any person owns stock of the old loss corporation possessing 50% or more of the total combined voting power of all classes of stock entitled to vote, or of the total value of the stock of that corporation.

### **DEFERRING DEBT**

#### **3.) How does the ARRA help companies to reduce debt burdens?**

The ARRA provides assistance to companies by delaying the tax on businesses that have discharged indebtedness income, which will help these companies strengthen their balance sheets.

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<sup>1</sup> A net operating loss is the amount by which a business’s deductible expenses exceed its gross income.

<sup>2</sup> An eligible small business is generally a taxpayer that has gross annual receipts of \$15,000,000 or less in the tax year in which the applicable 2008 NOL arose.

<sup>3</sup> For purposes of the increased carryback election, an applicable 2008 NOL is defined as the taxpayer’s NOL for any taxable year either (i) ending in 2008 or (ii) at the taxpayer’s election, beginning in 2008.

## **TAX CREDITS FOR HIRING**

### **4.) Are tax credits for hiring new employees available?**

Businesses are allowed a work opportunity tax credit ("WOTC") with respect to wages paid to individuals from one of nine existing targeted groups. Under the Act, a new targeted group of unemployed veterans and disconnected youth is added to Code Section 51, and employers may claim the WOTC for those individuals in the targeted group who begin work for the employer in 2009 or 2010.

## **LEGISLATION FOR BONUS DEPRECIATION**

### **5.) How does the ARRA help businesses recover the costs of new capital investments?**

The ARRA extends the increased bonus depreciation (an immediate 50 percent write-off) for businesses making investments in new plants in equipment in 2009.

## **LEGISLATION FOR SMALL BUSINESS EXPENSING**

### **6.) How does the ARRA spur small business investment?**

The ARRA extends increased small business expensing, which doubles the amount small businesses can immediately write-off for capital investments and purchases of new equipment made in 2009 from \$125,000 to \$250,000.

*More information regarding the above questions can be found at <http://www.huntonfinancialindustryrecovery.com/2009/02/articles/business-tax-provisions-under-the-stimulus-bill/>.*

## **TAX CREDITS FOR ENERGY EFFICIENCY**

### **What tax deductions are available for commercial buildings?**

A tax deduction of up to \$1.80 per square foot is available to owners or designers of new or existing commercial buildings that save at least 50% of the heating and cooling energy of a building that meets ASHRAE Standard 90.1-2001. Partial deductions of up to \$.60 per square foot can be taken for measures affecting any one of three building systems: the building envelope, lighting, or heating and cooling systems. These tax deductions are available for systems placed in service<sup>4</sup> from January 1, 2006 through December 31, 2013.

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<sup>4</sup> The IRS defines "placed in service" as when the property is ready and available for use.

More information is available at  
[http://www.energystar.gov/index.cfm?c=products.pr\\_tax\\_credits](http://www.energystar.gov/index.cfm?c=products.pr_tax_credits).

The IRS also provides guidance on deduction for energy efficient commercial buildings:  
[http://www.irs.gov/irb/2006-26\\_IRB/ar11.html](http://www.irs.gov/irb/2006-26_IRB/ar11.html).

### **How does the ARRA affect the Production Tax Credit (PTC)?**

The ARRA provides a three-year extension of the (PTC) for electricity derived from wind (through 2012) and for energy derived from biomass, geothermal, hydropower, landfill gas and waste-to-energy facilities (through 2013).

Companies that generate wind, geothermal, and “closed-loop” bioenergy (which is powered by dedicated energy crops) are eligible for the production tax credit (PTC), which provides a 1.9-cent per kilowatt-hour (kWh) benefit for the first ten years of a renewable energy facility's operation. Other technologies, such as "open-loop" biomass, incremental hydropower, small irrigation systems, landfill gas, and municipal solid waste (MSW), receive a lesser value tax credit.

More information is available at  
[http://www.ucsusa.org/clean\\_energy/solutions/big\\_picture\\_solutions/production-tax-credit-for.html](http://www.ucsusa.org/clean_energy/solutions/big_picture_solutions/production-tax-credit-for.html).